

SBA

U.S. Small Business Administration

The Facts About . . . The MicroLoan Program for Entrepreneurs

The MicroLoan Program combines the resources and experience of the U.S. Small Business Administration with those of locally based nonprofit organizations to provide small loans and technical assistance to small businesses.

Under the MicroLoan Program, the SBA makes funds available to qualified nonprofit organizations, which act as intermediary lenders. The intermediaries use these funds to make loans of up to \$25,000 to new and existing small businesses. In addition, the intermediaries provide management and technical assistance designed to help ensure success.

Eligibility Requirements

Virtually any type of for-profit small business is eligible for the MicroLoan Program. The form of the business, whether a proprietorship, partnership or corporation, is not a determining factor. It must, however, meet the SBA's size standards at the time of application. Generally, borrowers applying for this type of loan will fall well within these standards.

Use of Loan Funds

MicroLoan funds may be used for working capital or to purchase inventory, supplies, furniture, fixtures, machinery and/or equipment. These funds may not be used to purchase real estate, to provide a down payment on a project in excess of \$25,000 in value, or, with limited exceptions, to refinance existing debts.

Loan Terms

Under the MicroLoan Program, the maximum loan amount is \$25,000. The average is around \$10,000. The maximum term allowed for a loan is six years. However, loan terms vary according to the size of the loan, the planned use of funds, the requirements of the intermediary lender, and the needs of the small business borrower. Interest rates vary, depending upon the intermediary lender. Rates are generally competitive.

Credit Requirements

MicroLoan applicants must meet the credit requirements of their local intermediary lender. Generally, however, applicants will be expected to demonstrate good character, a strong commitment to their business idea, and a credit history that demonstrates a reasonable assurance that the loan will be repaid. In addition, applicants should have some management expertise or be willing to participate in training designed to strengthen management skills.

Collateral Requirements

As with credit standards, collateral requirements for the MicroLoan Program are set by the local intermediary lender. In most cases, loans are at least partially collateralized by equipment, contracts, inventory or other property. Lenders may also require personal guaranties.

Applying for a MicroLoan

The first step in applying for a MicroLoan is to contact your local intermediary lender. The MicroLoan Program is not available everywhere. Contact your local SBA district office to find out if there is a lender in your area. The lender will provide the details on applying for a loan or receiving technical assistance.

For More Information

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. For the office nearest you, look under “U.S. Government” in your telephone directory, or contact:
- SBA Answer Desk: 1-800 U ASK SBA
- Fax: 202-205-7064
- TDD: 704-344-6640
- Your rights to regulatory fairness: 1-888-REG-FAIR
- OnLine Electronic Bulletin Board (*modem and computer required*)
1-800-697-4636 (*limited access*)
1-900-463-4636 (*full access*)
202-401-9600 (*Washington, D.C., metro area*)
- Internet
Home page: www.sba.gov
Gopher: gopher.sba.gov
Telnet: telnet.sba.gov
U.S. Business Advisor: www.business.gov

SBA Affiliates

Inquire at your local SBA office for the location nearest you.

- BICs — Business Information Centers
- TBICs — Tribal Business Information Centers
- OSCSs — One Stop Capital Shops
- SCORE — Service Corps of Retired Executives
- SBDCs — Small Business Development Centers
- USEACs — U.S. Export Assistance Centers
- WBCs — Women’s Business Centers

SBA Publications

- *Resource Directory for Small Business Management* — a listing of low-cost business management publications and videotapes
- *The Facts About ... SBA Publications* — a listing of free SBA publications

Did you know that in fiscal 1998 the SBA —

- maintained a guaranteed loan portfolio of more than \$40 billion in loans to 491,000 small businesses that otherwise would not have had such access to capital?
- backed more than 47,100 loans totaling \$10.8 billion to America’s small businesses?
- made a record 3,456 investments worth \$3.24 billion through its venture capital program?
- provided more than 30,000 loans totaling over \$728 million to disaster victims for residential,
personal-property and business losses?
- extended management and technical assistance to nearly 830,000 small businesses through its

- 12,400 Service Corps of Retired Executives volunteers and 1,000 small business development center locations?
- helped 6,000 small disadvantaged businesses obtain \$5.9 billion in federal contracts?

Did you know that America's 23 million small businesses —

- employ more than 50 percent of the private workforce?
- generate more than half of the nation's gross domestic product?
- are the principal source of new jobs?

Did you know that the MicroLoan Program —

- has provided over 7,900 loans of \$25,000 or less since 1993?
- has loaned more than \$80 million to start- up, newly established and growing small businesses?
- has assisted other microbusinesses in obtaining over \$24 million in loans from nongovernment sources?

All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.

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